

Syndicate Can Aid Investors In Real Estate

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President, Torrance-Lomita Board of Realtors

Among the forms of real estate investment is one that was relatively unused in California until the last 20 years or so. That method is the real estate syndicate, long popular in the eastern United States where professionals in investment combined resources to purchase large real estate holdings for a limited time, then sold them.

During the holding period, normally 10 years now because of tax considerations, the property is managed to increase in value. When sold, the "capital gain" is split among the syndicate investors according to their interest. Some syndicates have as an objective creating income for the investors during the life of the syndicate. When they sell, they recover their original investment, having already reaped income from it.

Whatever the purpose, the real estate syndicate has advantages for the investor with a comparatively small amount to invest. Ten people, for instance, with \$5,000 each to invest, could use the \$50,000 as down payment on a \$250,000 office building, paying a management fee out of rental earnings.

DEPENDING on the condition of the building, office rentals, competition, trend of the area, and other factors, each investor, at the end of syndicate period could expect to share in the earnings of a quarter-million dollars office building.

Syndicates often purchase raw land in the direction a city is expanding. They may subdivide and develop it themselves. Syndicates can go into apartment ownership, industrial parks and many other

forms of real estate investment.

ONE REASON for its increasing use in California is the natural rise in real estate values as the state's industry and population expands. Syndicates are essentially growth oriented.

Syndicates are usually created by a Realtor or other real estate broker, thereby overcoming the hurdle of bringing together investors with similar interests. The Realtor may take an option on a property, then seek a number of investors interested in syndicating. Or he may interest them in the advantages of syndicating, pool their resources, then seek a property that is suitable.

In either case, he provides the essential ingredient: a professional who can recognize growth potential and chart a course through the intricacies of financing, tax planning, management, and eventual sale. He advises whether it lends itself to a partnership, corporation, tenants in common, or joint tenancy agreement, seeking an attorney's advice where necessary. Syndicates at present usually come under the Corporate Securities Act of California, so to obtain a permit to form one, requirements of the Corporations Commissioner must be met.

SINCE THE objective of the syndicate is a management-free investment by the investor, this work is done by the Realtor-syndicator, a task that can involve considerable time and some risk capital.

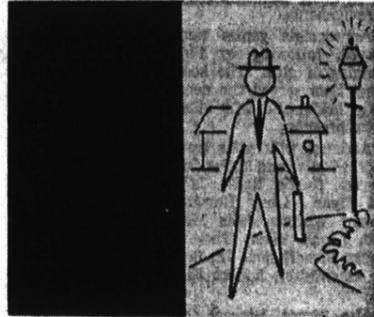
His fee is often the normal brokerage fee for buying and selling, and during the syndicate's life a management fee comparable with those in the area. He may also have some capital in the syndicate.

CRIME PREVENTION

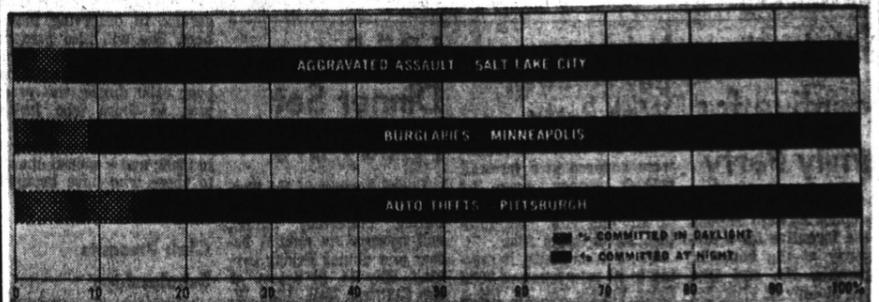
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